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Entrepreneurship and sustainable development goals

Promoting entrepreneurship for development

Note by the UNCTAD secretariat

Executive summary

This note focuses on the role of entrepreneurship in sustainable development. It builds further on General Assembly resolutions 67/202 and 69/210 on entrepreneurship for development and reviews recent trends in entrepreneurship. It discusses evolving best practices on the adoption of a holistic approach to entrepreneurship policies and national strategies; the development of green, social, youth and women's entrepreneurship; and new and innovative mechanisms to ease access to finance. The note also addresses emerging issues on monitoring and measuring entrepreneurship. In particular, it discusses international initiatives to assess the success of entrepreneurship policies and monitor progress on their implementation. It outlines the main challenges in developing comprehensive and comparable data and selecting a set of core common indicators to assist policymakers and other stakeholders in their efforts to promote entrepreneurship and facilitate its impact. It also suggests issues for further elaboration, including the role of entrepreneurship in attaining the sustainable development goals and actions to be taken to enhance that role.

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Introduction

1. The importance of entrepreneurship in the context of the sustainable development goals – by creating jobs and driving economic growth and innovation, improving social conditions and helping address environmental challenges – has been reinforced by the work of the General Assembly.[1] In 2012, it adopted resolution 67/202 on entrepreneurship for development. As UNCTAD has played a key role in promoting entrepreneurship and micro-, small- and medium-sized enterprises (MSMEs) over the last two decades, the Department of Economic and Social Affairs requested that UNCTAD prepare a report to the General Assembly[2] on the implementation of this resolution, which was used as a background document for a second General Assembly resolution on entrepreneurship for development (A/RES/69/210), adopted by its sixty-ninth session in 2014.

2. In its resolutions, the General Assembly highlights the need for a comprehensive framework for entrepreneurship promotion and calls upon the relevant organizations and bodies of the United Nations system to further recognize and integrate entrepreneurship in their development policies, and in cooperation with Member States, improve regulatory environments and policy initiatives that facilitate entrepreneurship, as well as identify indicators that can be used to evaluate the success of entrepreneurship policies.

3. This note builds on the General Assembly resolutions on entrepreneurship for development. It discusses recent trends, including a shift towards a strategic and holistic approach to entrepreneurship and the development of green, social, youth and women's entrepreneurship. It also identifies access of MSMEs to finance as a key challenge in fostering entrepreneurship.

4. The note also elaborates on issues related to entrepreneurship measurement, outlining key areas that need to be considered in developing guidance on indicators to assist policymakers and other stakeholders in their efforts to promote entrepreneurship and to maximize its positive impact.

I. Entrepreneurship for sustainable development: Recent policy trends

5. There is increasing consensus that entrepreneurship is key to sustainable development and critical to poverty reduction, gender equality and environmental sustainability. Entrepreneurship policies have a multifaceted nature and linkages with other areas, such as education and skills development, technology and innovation, finance and capacity-building. To assist policymakers, UNCTAD developed the Entrepreneurship Policy Framework, which was launched during the thirteenth quadrennial conference of UNCTAD, held in Doha in 2012.

6. Along with a growing recognition of the role of entrepreneurship in sustainable development, key trends include increased attention to a holistic approach to entrepreneurship policies and their implementation, the growth of women's entrepreneurship, and youth and social entrepreneurship. There is also an ongoing search

[1] United Nations, 2009, *Doha Declaration on Financing for Development* (New York, United Nations publication 09-20901), available at http://www.un.org/esa/ffd/doha/documents/Doha_Declaration_FED.pdf, accessed 8 February 2015.

[2] General Assembly, 2014, Entrepreneurship for development, 18 August (A/69/320).

for new and innovative forms of financing to facilitate access to finance for MSMEs. Another important development is the debate about indicators to assist policymakers and other stakeholders in measuring the success of entrepreneurship policies and their impact. The following sections address these issues.

A. National entrepreneurship policies

7. There is growing recognition of the need for a holistic and systemic approach to formulating entrepreneurship policies, ensuring coordination and coherence to achieve a positive impact. Table 1 shows examples of countries that have taken such a holistic approach and have developed national entrepreneurship strategies and policies.

Table 1
Examples of national entrepreneurship policies, 2014

Region	Country	Policy
Africa	– Ghana, UNCTAD Entrepreneursip Policy Framework	National policy framework
	– Gambia (under preparation), UNCTAD-Entrepreneursip Policy Framework	National policy framework
Europe	Ireland: National Policy Statement on Entrepreneurship	National entrepreneurship strategy
Middle East	Jordan	National Entrepreneurship and Small and Medium-sized Enterprise (SME) Growth Strategy, 2014–2018
Latin America	– Chile[1]	National entrepreneurship strategy
	– Dominican Republic	
	– Colombia, reformulated	
	– Costa Rica	
	– El Salvador[2]	
	– Honduras[3]	
	– Ecuador, UNCTAD – Entrepreneursip Policy Framework[4]	

Source: UNCTAD database.

8. Table 2 shows examples of regional and subnational cooperation that include the development of regional strategies, joint projects to facilitate entrepreneurship awareness

[1] http://www.innovacion.gob.cl/2014/10/conozca-la-nueva-politica-de-emprendimiento-2014-2018-de-corfo/, accessed 8 February 2015.

[2] https://www.conamype.gob.sv/phocadownload/politica%20de%20emprendimiento%20con%20rebase.pdf, accessed 8 February 2015.

[3] http://www.presidencia.gob.hn/?tag=estrategia-de-fomento-al-emprendimiento-de-honduras, accessed 8 February 2015.

[4] http://aci.ec/web/xp/, accessed 8 February 2015.

and networking, as well as technology exchanges and skills development. The Central American Integration System (SICA) – Emprende, for example, aims to build an ecosystem across industries in eight countries in the region.[7] Each country is now tasked with adjusting the regional strategy to national realities and implementing it, formulated on the basis of five key pillars: educational system, supportive ecosystem, institutional articulation, mindset and culture, and financing.

Table 2

Examples of regional and subnational entrepreneurship policies, 2009–2014

Region	*Regional policies*	*Subnational/local policies*
Africa	2013–2022 African Development Bank Group Strategy: focus on African entrepreneurship as pillar of private sector development	City of Johannesburg Young Entrepreneurship Policy and Strategy Framework, 2009 (South Africa)
Asia	2010–2014 Association of Southeast Asian Nations Policy Blueprint for SME Development (includes an entrepreneurship development programme)	Singapore: Extension of research and development (R&D) tax deductions scheme
Europe	European Union Entrepreneurship 2020 Action Plan European Union Strategic Policy Forum on Digital Entrepreneurship	Region of Murcia (Spain) Entrepreneurial action plan and 2014 entrepreneurial municipality initiative Murcia (Municipio Emprendedor). 2012: Plan for innovation and entrepreneurship in Western Switzerland (part of Intercantonal Programme 2012–2015) (Switzerland)
Latin America	2014 Central American Region and Dominican Republic Regional SICA Entrepreneurship Strategy, SICA Emprende	Strategic entrepreneurship plan for region of Antioquia (City of Medellin, Colombia)
North America		2011 Entrepreneurship strategy for Quebec (Canada)

Source: UNCTAD database.

9. Other recent initiatives are aimed at the broader objective of developing innovation, improving the business environment and strengthening local SME sectors. In Latin America, Prodem – an Argentine research institution – reports that Chile offers the best conditions for high-growth SMEs followed by Mexico, Brazil, Costa Rica and Argentina

[7] Belize, Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua and Panama.

because they have adopted specific innovation policies that take into account the growth and development of SMEs.[8]

10. Start-up programmes have proliferated. These include Start-up America, Start-up Chile, Start-up Russia, Start-up Britain, Start-up Weekends worldwide and Start-up Nation-South Africa. In some cases, municipalities or regions have their own start-up programmes that often group into a network. To enhance value creation, some countries have devised scaling-up policies and monitor their progress in annual reports: Israel the Scale-Up Nation, Scale Up UK, Scale Up Europe and Scale Up America. According to these reports, entrepreneurial growth is about developing an innovation ecosystem, ensuring the growth of existing enterprises by boosting sales and marketing, and building larger firms by acquiring strategic inputs such as the right kinds of capital and suppliers. The programme Manizales-Más in Colombia has integrated these components with the assistance of Babson College (United States of America).

11. Other countries have introduced business regulation reforms to facilitate the creation of new businesses, simplified labour-related laws and taxation. According to the Doing Business Report 2015, sub-Saharan Africa has been the most successful in implementing policy reforms for a better business environment in recent years. Benin, Togo and Côte d'Ivoire implemented at least 39 reforms in 2013/2014, making it easier to start a business, obtain credit or pay taxes.[9]

B. Youth entrepreneurship

12. Youth entrepreneurship has become a priority for the development agenda of many countries that are faced with the challenge of a youth bulge and unemployment. According to the 2013 report of the Global Entrepreneurship Monitor (GEM),[10] young people are more likely to have fresh ideas and to be "born digital"; in some societies they have received more education than their parents. They are also less likely to have responsibilities such as mortgages and families, factors that generally make individuals risk averse. To tap into this potential, several countries have recently introduced policies and programmes to foster young entrepreneurs. African countries, for example, have spearheaded the introduction of entrepreneurship curricula in the secondary school systems. In Angola, 139 teachers have been trained and certified to teach entrepreneurship, and 9,800 students have taken the entrepreneurship course to date.[11] In Europe, the Entrepreneurship 2020 Action Plan has identified entrepreneurship as one of the eight key competencies that every young person should have. Box 1 reviews the policy guidance of UNCTAD in this respect.

[8] www.prodem.uni-graz.at/blog/2014/10/esed_english/, accessed 8 February 2015.

[9] World Bank, 2014, *Doing Business 2015: Going Beyond Efficiency* (Washington, D.C.: World Bank).

[10] JE Amoros, N Bosma and Global Entrepreneurship Research Association, 2014, *Global Entrepreneurship Monitor: Global Report 2013*, available at http://www.gemconsortium.org/docs/download/3106, accessed 8 February 2015.

[11] United Nations Industrial Development Organization, 2014, Fostering entrepreneurial youth, Report of the Meeting held on 11–13 November 2014, Vienna.

Box 1. Encouraging young entrepreneurs

To respond to a growing focus on youth entrepreneurship, UNCTAD, in collaboration with the Commonwealth Secretariat, issued a new document entitled "Promoting Youth Entrepreneurship: Policy Guidance", aimed at supporting policymakers to design policies that will unleash the potential of youth entrepreneurship. Its key recommendations are listed below:

For youth entrepreneurship to have a broader impact on job creation and in promoting sustainable development, policymakers can enhance the regulatory environment by addressing regulatory barriers that hinder young entrepreneurs from starting up, introducing online registration and simplified regulations, minimizing the stigma surrounding business failure and facilitating restarts. Orienting business development services to provide services to young entrepreneurs is essential to ensure that they obtain adequate support. The public and private sectors, as well as other relevant partners, can come together to improve education and skills development, and better align the skills acquired by young people with labour market demands. Building the capacity of teachers to inculcate entrepreneurship skills among students is critical. In addition, there is a need to strengthen the capacity of vocational training and apprenticeship.

Policymakers can take a leadership role in supporting technology and innovation by providing incentives that will encourage private sector investment. They could also promote the establishment of favourable regulatory frameworks and innovation policies, and investment in higher education and training, and R&D. Investments need to be made in technological infrastructure to set the foundation for a thriving digital economy, provide the impetus for the spread of innovation and ensure that young people have access to, knowledge of, and the competencies and skills to exploit technology and create commercial products and services.

In addition to undertaking financial reforms, governments, with the support of entities in the financial sector and non-governmental organizations (NGOs), could explore how to improve financial inclusion. Collateral requirements, high banking fees and lack of financial literacy are key bottlenecks for young people. Proposed measures include the establishment of guarantees, financing supported by capacity-building and special mobile money schemes.

Young people need to be partners and collaborators in youth entrepreneurship. To assume this role, a concerted effort on the part of government, NGOs and the private sector is required to develop platforms to engage young people and promote the development of youth entrepreneurship networks and associations that advocate on behalf of young entrepreneurs.

Source: UNCTAD, forthcoming.

C. Women's entrepreneurship

13. Growing attention is being given to women's entrepreneurship as part of the empowerment agenda and as a means to expand opportunities and benefit from their engagement in productive (self-) employment. According to available estimates, approximately one fourth to one third of the world's formal sector enterprises are owned and operated by women. However, studies also suggest that in some countries, women entrepreneurs experience more difficulties than men in starting and expanding their businesses, particularly due to cultural norms and social attitudes. Statistics also show that

women are less likely than men to start businesses and grow their small firms into larger enterprises.[12]

Box 2. Celebrating women entrepreneurs

Every other year, UNCTAD grants the Empretec Women in Business Award to women entrepreneurs who have benefited from Empretec training. The award has had a strong impact on creating business opportunities and positive role models for aspiring women entrepreneurs. The three winners of the 2014 award, held during the World Investment Forum, reported the following:

- The winner of the gold award, Lina Khaliteh (Jordan), has started expanding her business into other countries in the Middle East. "Allowing more women to learn about self-defence is my personal goal, and the prize was an eye-opener in this sense." Such expansion requires the global registration of the Shel lighter brand, for which Lina will receive joint support from UNCTAD and the World Intellectual Property Organization.
- Divine Ndhlukula (Zimbabwe), winner of the silver award, said that training was a key contributing factor to the growth of her security agency, SECURICO: "From a very young age I knew I wanted to be an entrepreneur ... my Empretec training in 1995 was a turning point". She dedicated her prize to her loyal 900 women employees. In an industry in which women comprised less than 1 per cent of the total workforce, SECURICO is the largest women's employer outside the Government.
- After receiving the bronze award, Lorena Picasso of SOMNO returned to her hometown in Santa Fe, Argentina, and reported: "Many doors that were closed to us before, have suddenly opened. It's a challenge, but I'm sure that we'll walk through it successfully". A delegation of 35 government officials presided by José Corral, the major of Santa Fe, visited Lorena in her workshop. The visit resulted in an agreement to replenish local day care centres in the region with SOMNOS toys.

In line with the Forum theme, "Investing in sustainable development," two green and social entrepreneurs have received special recognition. Pabla Torres, who launched the Biopro project, is now securing a public–private partnership with the local university in Mendoza, Argentina, to develop biological pesticides for wineries. Chemical engineer Leena Irshaid co-founded the Women's Cooperative Association in 2008 to bring agricultural products to market by using the highly skilled and underutilized capabilities of unemployed women in the region. The dimension of her initiative has gone far beyond her expectations, and receiving special recognition at the Empretec Women in Business Award ceremony only confirmed the gains of incorporating a strong social approach into business ventures. "I am extremely grateful and highly motivated to expand our Association".

Source: Empretec Newsletter No. 27

14. In light of this, governments have introduced policies and programmes to develop women entrepreneurs.[13] For example, Tunisia has established entrepreneurship policies

[12] See World Bank, 2007, Tanzania gender and economic growth assessment. Working paper; and Foreign Investment Advisory Service, 2005, Gender and growth assessment for Uganda: A gender perspective on legal and administrative barriers to investment.

[13] F. Mavoux, 2012, Gender mainstreaming in value chain development, *Enterprise Development and Microfinance*, 23(4), December.

featuring women's entrepreneurship, including lifelong learning programmes.[14] In the United States, the Small Business Administration partners with the National Women's Business Council and others to provide bold programmes to support women entrepreneurs and improve opportunities for their 7.8 million enterprises.[15] Some governments have promoted women's access to new markets and information and communications technologies (ICTs) by, for example, increasing access to the Internet. In addition, programmes for women's empowerment that increase cultural acceptance, highlighting female entrepreneurs as role models and raising public awareness, have proved successful (box 2).

D. Other policy issues

15. Green and social entrepreneurship stand to make valuable contributions to the achievement of sustainable development goals and promotion of economic growth, while enhancing social inclusion. A number of policy measures are being introduced: matching grants, development grants, feasibility grants, R&D funds, and steps to make grant funding available to maintain low acquisition prices for green technology and support upgrading and retrofitting. Special legal entity status for social entrepreneurship has sometimes been put in place, for example, in the United States. These types of firms often need to attract special financing (chapter II).

II. Financing for development, entrepreneurship and the post-2015 agenda

16. Financing is central to achieving sustainable development objectives. Building on the Monterrey Consensus of the International Conference on Financing for Development (2002), the Doha Declaration on Financing for Development (2008) highlighted the need for appropriate financial infrastructure that provides services and products for micro and small and medium-sized enterprises (MSMEs) and improves the availability of financing for enterprises.

17. The Third International Conference on Financing for Development, to take place in Addis Ababa in July 2015, can provide valuable support for the implementation of the post-2015 development agenda, including with respect to the contribution of entrepreneurship to achieving that agenda. The scope of the Conference set out in General Assembly resolutions 68/204 and 68/279 focuses on the progress made in the implementation of the Monterrey Consensus and the Doha Declaration and identifies obstacles and constraints encountered in the achievement of the goals and objectives agreed therein, as well as actions and initiatives to overcome these constraints.

18. In particular, A/RES/68/204 stressed the need to foster a dynamic and well-functioning business sector, while improving income growth and distribution, advancing women's empowerment and protecting labour rights and the environment. It also stated that microfinance, including microcredit, could be effective in generating productive self-employment, facilitating the achievement of the internationally agreed development goals. Many of these principles were reiterated in A/RES/68/279.

[14] Organization for Economic Cooperation and Development (OECD), 2014, *SME Policy Index: The Mediterranean Middle East and North Africa 2014 – Implementation of the Small Business Act for Europe* (Paris, OECD Publishing).

[15] https://www.sba.gov/content/womens-business-resources, accessed 8 February 2015.

19. According to the World Bank, access to finance has been identified as the key constraint to growth among 410,000,000–520,000,000 MSMEs globally, of which 360,000,000–440, 000,000 are in countries with emerging economies, with fewer than 30 per cent of these using external financing, half of which are underfinanced.[16] As a result, the unmet need for financing MSMEs, which contribute significantly to the economies of developing countries and emerging markets, is daunting. The International Finance Corporation estimates that the collective unmet financing need of entrepreneurs in developing countries amounts to $2 trillion,[17] while the World Bank estimates that the unmet need for credit among MSMEs in emerging markets is approximately $2.1 trillion–$2.5 trillion, approximately 14 per cent of the total gross domestic product of these countries.[18]

20. Ensuring access to financing for MSMEs is critical because of their key role in economic growth and sustainable development. According to the World Bank, ensuring unconstrained access to financing can help approximately 400,000,000 MSMEs in developing countries to significantly expand their economic opportunities, employ more people and generate additional income.[19]

21. The *World Investment Report 2014*[20] analyses the key challenges in maximizing the positive impact and minimizing the risks and drawbacks of public and private investment in sustainable development goals sectors. It calls attention to weak absorptive capacity in some developing countries, suggesting adequate policy responses to encourage and facilitate entrepreneurship, support to technology, human resources and skills development and the promotion of linkages and clusters in incubators or economic zones to support business creation in sustainable development goals sectors. The Action Plan for Private Investment in the sustainable development goals, put forward in the Report, encompasses these measures based on guiding principles that seek to balance, among others, the push for private funds with the push for public investment. The following sections discuss public and private financing mechanisms, as well as public–private partnerships (PPPs) to increase the contribution of entrepreneurship for sustainable development.

A. Public financing

22. Public finance has an important role to play in fostering entrepreneurship by developing public credit guarantees schemes, capacity-building grants and technical assistance to expand lending activities, promoting the use of new banking technologies, and providing financial literacy and adequate supervision of financial products offered to social entrepreneurs, micro-entrepreneurs and disadvantaged groups. Special attention should be given to assist innovative firms in the area of green technology and sustainability. To this end, innovation funds have been instrumental in spurring early stage entrepreneurship and innovation in the developed and developing worlds. Recently, inclusive innovation funds, which hold tremendous potential for pro-poor growth and for increased access to finance for MSMEs, have also emerged. For example, India's Inclusive Innovation Fund, established by the National Innovation Council in 2013, has helped catalyse the

[16] World Bank. 2013. *Financing for Development Post-2015* (Washington, D.C., World Bank).

[17] International Finance Corporation. 2014. Access to credit among micro, small, and medium enterprises, available at http://www.ifc.org/wps/wcm/connect/1f2e96804168990395 0bb79e78015671/AccessCreditMSME-Brochure-Final.pdf?MOD=AJPERES, accessed 8 February 2015.

[18] World Bank. 2014. op cit.

[19] Ibid.

[20] UNCTAD. 2014. *World Investment Report 2014: Investing in the sustainable development goals – An Action Plan* (New York and Geneva, United Nations publication. Sales No. E.14.II.D.1).

development of an entrepreneurial ecosystem and support innovation geared toward marginalized groups in society.

23. Similarly, Start-up Chile, a programme created by the Chilean Government and implemented by the Chilean Economic Development Agency, or CORFO, has enabled early stage high-potential entrepreneurs to launch their enterprises on a global platform. Start-Up Chile launched its pilot programme in 2010. This brought 22 start-ups from 14 countries to Chile, selected through an admission process conducted by Silicon Valley experts and representatives from the Chilean Innovation Board. By December 2014, the programme had provided financing and incubating facilities to more than 1,000 start-ups.

24. International development assistance plays an important role in financing for development. In recent years, for example, development partners have established challenge funds to stimulate entrepreneurship in developing countries, while addressing challenges associated with access to inclusive financing. Initiatives such as the Group of 20 (G-20) SME Finance Challenge, for example, are aimed at addressing market failures through the identification and scaling up of innovative financing solutions and path-breaking models that catalyse finance for SMEs on a sustainable basis.[21]

25. Other examples include innovative models of SME financing supported by the UNCTAD Empretec programme (box 3).

26. There are several other high-profile initiatives at the global level that aim to facilitate SME access to finance:

(a) OECD is analysing the difficulties in SME's access to finance during the crisis, against a background of a sharp decline in bank profitability and an erosion of bank capital that negatively affected lending;

(b) The Entrepreneurial Finance Lab Research Initiative of Harvard University utilizes a psychometric testing to measure risk and future entrepreneurial potential without requiring business plans, credit history or collateral. The initiative is now rolling out its methodology to banks in several developing countries;

(c) Child and Youth Finance International aims to empower youth around the world, particularly those who are vulnerable and marginalized, by increasing their financial capability, enhancing their awareness of social and economic rights, and improving their access to appropriate financial services;

(d) The Finance Alliance for Sustainable Trade, or FAST, is a membership association of financial institutions and producers backed by the United States Agency for International Development and dedicated to sustainable production and trade of sustainable products. FAST has developed a financial literacy toolbox providing a comprehensive education package aimed at improving financial literacy;

(e) At the regional level, the Seed Capital Assistance Facility is a support mechanism designed to champion early stage clean energy enterprises and projects in Africa and Asia. It offers investment fund managers two types of cost-sharing support for those willing to include a seed investment window in their overall investment strategy. It is implemented through the United Nations Environment Programme, the Asian Development Bank and the African Development Bank.

[21] http://www.changemakers.com/SME-Finance, accessed 8 February 2015.

Box 3. Financing models adopted by Empretec Argentina and Ghana

Argentina

Banco de la Nación Argentina and Fundación Empretec in Argentina launched an initiative in 2009 designed to provide medium- and long-term funding and technical assistance to dynamic and innovative technology-oriented SMEs. With regulatory barriers in Argentina precluding SMEs from accessing financing, Banco de la Nación established a dedicated trust fund designed to provide funding to promising start-ups and enhance the development of productive capacities, while catalysing the knowledge and creativity in society. The model addressed market failures associated with SME financing for start-ups, in particular, market uncertainty that is characterized by an increase in risks for new market entrants, information asymmetries and moral hazard associated with lack of experience and inadequate capital. These make it difficult for financial institutions to make an assessment, potentially increasing the default risk and reducing scale of SME initiatives, and ultimately increasing the costs associated with management and assessment. Fundación Empretec offered access to medium- and long-term credit to technology enterprises at a concessional (subsidized) rate, combined with specialized technical assistance.

Ghana

The United Nations Development Programme and the Government of Ghana provided funding to Empretec Ghana to establish a revolving fund designed to provide credit to MSMEs in tourism, manufacturing, construction and non-traditional export sectors to expand their businesses. The objectives of the three-year project were to build the productive capacity and facilitate the growth and expansion of MSMEs, and build Empretec Ghana's capacity to deliver credit on a long-term basis and provide loans to MSMEs with proven potential for growth or employment creation to acquire fixed assets or to revitalize or expand their businesses. Eligible MSMEs were required to repay the funds within 12–18 months. During the project, 631 entrepreneurs, most of whom were women, received credit and created 1,632 new jobs. Since its inception in 1996, Empretec Ghana has continued the scheme.

Source: UNCTAD.

27. Mobilizing investment for sustainable development remains a major challenge, particularly for least developed countries. Given the large development financing gaps in these countries, foreign investment can provide a necessary complement to domestic investment, and it can be particularly beneficial when it interacts in a synergetic way with domestic public and private investment and policies on promoting and strengthening local enterprises and suppliers. The Investment Framework for Sustainable Development of UNCTAD provides guidance to policymakers on how to work coherently towards the common national objective of sustainable development.

B. Private financing

28. Numerous private funding mechanisms have emerged in recent years, which have the potential to increase access to finance for MSMEs and contribute to the realization of sustainable development objectives. Traditional financing mechanisms, such as banks, remain important for SME financing. Banks, however, have strong risk aversion with regard to SME lending, particularly in developing countries, partly because SMEs have limited fixed assets that can be used as collateral. This section focuses, therefore, on other mechanisms that are ensuring access to financing for MSMEs: impact investment, business angels, venture capital, crowdfunding, microfinance, mobile money and capital markets. They are reviewed below.

29. Impact investment is a mechanism that can be a valuable source of financing for development. With objectives that encompass the promotion of societal value while achieving a social or environmental return, impact investments raise funds from individuals, foundations, NGOs and capital markets that are increasingly being used to support endeavours that will create jobs and provide services for marginalized groups particularly in developing countries. Foundations are playing an important role in impact investment in the enterprise sector. For example, the Tony Elumelu Foundation has invested in Mtanga Farms Limited, a small agribusiness that supports 125,000 smallholder farmers and is tackling food insecurity in the United Republic of Tanzania by growing disease-free potatoes.[7] Despite its growing popularity, scaling up investment funds that would help maximize their impact remains a key challenge. At the same time, the measurement of impact investment, which is in its infancy, need to be addressed to better understand and promote its role in entrepreneurship promotion.

30. Angel financing and venture capital are also important sources of financing for entrepreneurship. Business angels tend to be informal and operate on a smaller scale than that of venture capital and often offer lower transaction costs to their clients. While relatively limited in developing countries, they have been instrumental in providing the impetus for the emergence of technology start-ups in emerging countries and some developing countries.

31. Business angel networks such as India's Start-Up Village Angel Fund, which provides financing to promising start-up companies, is an example of this. The network of angel financing operators has become increasingly active in both the developed and developing world. The World Business Angels Association was formed in 2007, reuniting more than 15 national business angels associations worldwide. Based in Brussels, it aims to create an international community of business angel networks and leaders for the promotion of innovation and entrepreneurship through the financing of high-growth start-up companies.

32. Venture capital provides funding at the start-up stage or in early stage enterprise development and has become essential in spurring high-growth entrepreneurship. While venture capital is relied upon in much of the developed world, it is growing in importance in some parts of the developing world. In India, for instance, venture capital has helped fuel small business growth, with international and domestic operators providing funding to spur start-ups with high-growth potential in the ICT and biotechnology sectors. Key challenges for venture capital include regulatory frameworks that encourage venture capital involvement in early stages of enterprise development.

33. Crowdfunding is increasingly used as a financial mechanism that allows small businesses to raise funds in small amounts directly from individuals and organizations over the Internet and increasingly, using mobile technology and social media. For crowdfunding to take hold, appropriate regulation and mechanisms are essential to engender trust with Internet-based investment. However, while it can be a viable financial option for some MSMEs, including those in developing countries, crowdfunding's potential in these countries is yet to be realized, in large part, because the infrastructure to support Internet-based platforms is underdeveloped. Kiva, the first online lending platform, connects online lenders to low-income and underserved entrepreneurs around the world that need modest funding to help them develop a business opportunity. The platform, which allows individuals to borrow as little as $25 to support their initiatives, has facilitated over $650

[7] http://www.africa.com/blog/tony_elumelu_foundation_announces_impact_investment_deal_with_mtanga_farms_in_tanzania/, accessed 8 February 2015.

million with more than 1.2 million lenders providing funds to beneficiaries in 85 countries since 2005.[23]

34. Microfinance institutions are another key mechanism for promoting financial inclusion and are a source of financing for MSMEs. Efforts to promote financial inclusion among the world's poor have led to the growth of microfinance institutions that could provide affordable small-scale financing in the form of microcredit to previously unbanked and underserved people, including MSMEs. Unlike commercial loans, no collateral is required for microloans. However, these can represent an effective tool in addressing poverty, only if handled ethically by the lending organization and responsibly by the client. Therefore, a sound regulatory framework is essential for improving microfinance service delivery to MSMEs, as well as containing the lending costs associated with microfinance.

35. Increasingly, mobile money has begun to play an integral role in facilitating access to financing services for MSMEs. GSMA's Mobile Money for the Unbanked has partnered with 19 mobile operators and the financial industry to accelerate the availability of affordable, safe, and convenient financial services to millions of previously unbanked customers in developing countries.[24] While mobile money can enhance access to finance and promote financial inclusion, it nevertheless also requires appropriate regulatory frameworks, including an oversight function. Moreover, the services need to be affordable and widely available to maximize their benefits.

36. Capital markets can help bridge the gap in and meet the need for long-term financing for growth-oriented SMEs. Secondary trading boards[25] are becoming an important source of financing for SMEs in some parts of the developing world, including Africa and Asia. For example, in Botswana, Egypt, Ghana and Mauritius, these boards are helping SMEs in Africa raise equity for growth and expansion by lowering the demands for fees, track record and reporting requirements, and shareholder numbers.[26] Given a potential role that capital markets can play in SME financing, it is important to address regulatory requirements in this area to facilitate their role in providing financial resources for this sector.

C. Public–private partnerships

37. A proven but underutilized means of increasing access to finance in many developing countries is the establishment of PPP mechanisms to support reverse factoring. This kind of supply-chain finance is particularly attractive to SMEs in emerging markets, as suppliers can borrow based on their buyer's credit rating, which is often superior in the case of large domestic and foreign firms. Nacional Financiera is a specialized State development bank in Mexico that provides factoring services to SMEs. Business linkages programmes developed by UNCTAD in several countries also offer these schemes, among other business development services.

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[23] http://www.kiva.org/, accessed 8 February 2015.

[24] www.gsma.com/mobilefordevelopment/programmes/mobile-money-for-the-unbanked/about, accessed 8 February 2015.

[25] As described by the African Development Bank and the World Bank, secondary trading boards are alternative stock exchanges that are designed to facilitate access of SMEs to long-term financing by lowering the demands on the issuer. The World Bank states that secondary trading boards can help attract SMEs or firms for whom regular conditions are burdensome.

[26] African Development Bank, 2014, *African Development Report 2014: Regional Integration for Inclusive Growth*, chapter 5, Harnessing regional financial integration, available at http://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/ADR14_ENGLISH_web.pdf (accessed 5 February 2015).

38. There are also international efforts leading to the establishment of PPPs for financial inclusion. The G-20 SME Finance Challenge is a unique competition, launched in 2010, that was open to private financial institutions, socially responsible investors, companies, foundations and civil society organizations, which were requested to identify solutions that make public programmes more effective in leveraging PPPs. Among the relevant areas were green, women-led and indigenous-led SMEs; social financing and SMEs; and post-disaster SMEs. The 13 winning proposals – over 340 entries – have been provided performance-based grants over three years. Their overall impact will be evaluated in 2015.

39. In the context of sustainable development goals, the World Investment Forum 2014 has also recommended the improvement and wider use of PPPs, including with donor support for sustainable development goal projects to improve risk-return profiles and address market failures. PPPs are typically used for energy, water and transportation projects but also in social infrastructure such as health care and education. PPPs can therefore support entrepreneurial development through social enterprises.

III. Developing indicators on the implementation of entrepreneurship policies

40. For entrepreneurship to achieve its desired impact on development it is important to measure results. In this regard, A/RES/69/210 recognized the importance of developing comprehensive and comparable data to monitor progress in the implementation of entrepreneurship policies. It encouraged the United Nations to identify indicators that can be used to evaluate the success of the entrepreneurship policies.

41. Measuring entrepreneurship and its impact on development remains a challenge for many reasons, including the existence of different definitions of entrepreneurship, its multifaceted nature and the limited availability of comparable and reliable data. These bottlenecks can be improved through the development of a framework and the careful selection of indicators based on agreed criteria that will enable policymakers to establish targets and objectives, monitor trends in entrepreneurship and evaluate the effectiveness of their policies in achieving their objectives.

42. Often the level of entrepreneurship has been evaluated by indicators such as self-employment, business ownership rates, or business start-ups. Based on data collected by GEM, the total early stage entrepreneurial activity ratio[27] has become a widely used measure of entrepreneurship at the country level.[28] However, there is growing recognition that such an approach would not necessarily give policymakers good guidance, as it can prompt a focus on increasing the quantity of entrepreneurs, while quality is in fact more relevant, and a simple count of start-ups or self-employed is not sufficient to assess the success of policies and their impact.[29] Indeed, recent research has pointed out that not all entrepreneurial efforts have the same impact on economic development and that, for example, high-growth young SMEs contribute more to job creation, business expansion and

[27] Measured as the percentage of a country's working age population that is actively trying to start a new business (nascent entrepreneurs) and at least partially own and manage a business less than 3.5 years old.

[28] L. Szerb, R Aidis and Z J Acs, 2013. **Error! Hyperlink reference not valid.** comparison of the global entrepreneurship monitor and the global entrepreneurship development index. *Foundation and Trends® in Entrepreneurship*, Vol. 9, No.1.

[29] JE. Amoros, N Bosma and Global Entrepreneurship Research Association, op. cit.

innovation.[30] Also, different phases of economic development may require emphasis on different components of entrepreneurship promotion.

43. To meet these challenges related to monitoring the impact of entrepreneurship on development, a number of indicators have been developed by various organizations, including the World Bank Doing Business Report, GEM and Global Entrepreneurship Indices (Global Entrepreneurship and Development Index), the OECD-Eurostat Entrepreneurship Indicators Programme, the International Consortium on Entrepreneurship, the World Bank Entrepreneurship Database and others.

44. These initiatives address the issue from different perspectives. For instance, the World Bank Entrepreneurship Database collects information on firm registration (entry and exit barriers) and focuses on policies that affect new firm registration, that is to say, firm registration procedures and administration.

45. The GEM report provides harmonized measures on attitudes, activities and characteristics (aspirations) of individuals who participate in various phases of entrepreneurship. Its overall objective is to measure differences in the level of entrepreneurship activity between economies on similar economic development levels (grouped as factor-driven, efficiency-driven and innovation-driven economies) and geographic locations.

46. The Global Entrepreneurship and Development Index is an annual combined index comprised of three subindexes that capture the contextual features of entrepreneurship across individual and institutional variables.[31] Subindexes follow the GEM classification of elements and measure entrepreneurial attitudes, entrepreneurial activities and entrepreneurial aspirations. The methodology is built on the premise that not all entrepreneurs have an impact on economic growth, and focuses on start-up activities and entrepreneurs with a high growth potential.

47. In 2008, OECD developed three sets of indicators to measure entrepreneurship, contained in the Entrepreneurship Indicators Programme: determinants (policy actions), entrepreneurial performance and impact (policy objectives) indicators.[32] OECD proposes five main areas of determinants of entrepreneurship: Opportunities, skilled people, resources, regulatory framework and culture. According to this framework,[33] opportunities are created by market conditions, which are determined by public policies and intervention, competition, access to foreign markets, procurement regulations and other factors. In this context, the term "skilled people" relates to the individual capabilities of the entrepreneur and access to entrepreneurial infrastructure. Capital covers all phases of business life, from access to early seed funds to access to the stock markets. R&D in this case is a resource that can be created or purchased, whether directly or in an embodied or diffused form. The regulatory framework encompasses all taxes, regulations and other public rules and institutions affecting entrepreneurship. Finally, culture comprises each individual's assumptions, adaptations, perceptions and learning.

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[30] C Criscuolo, P Gal and C Menon, 2014, The dynamics of employment growth: New evidence from 18 countries, OECD Science, Technology and Industry Policy Papers, No. 14.

[31] GEDI, 2010, The Global Entrepreneurship and Development Index: A brief explanation, available at www.imperial.ac.uk/business-school.

[32] OECD, 2008, A Framework for Addressing and Measuring Entrepreneurship.

[33] For instance, the Entrepreneurship Indicators Programme (EIP) include: regulatory framework (10 indicators), market conditions (6 indicators), access to finance (5 indicators), R&D and technology (6 indicators), entrepreneurial capability (4 indicators) and culture (4 indicators).

48. Other instruments provide analytical tools to identify determinants of entrepreneurship and focus on benchmarking existing gaps and providing comparable data. For example, Prodem, in collaboration with the Inter-American Development Bank, has developed the Index of Systemic Conditions for Dynamic Entrepreneurship (ICSEd-Prodem), a tool allowing professionals in entrepreneurial ecosystems in Latin America to define a benchmark and identify the most relevant factors that need to be improved in order to close the existing gap in dynamic enterprises – those that have the capacity to create high-quality jobs. The tool is designed to help identify countries' main strengths and weaknesses and allow for the development of strategies and initiatives that will promote entrepreneurship and ultimately increase productivity. ICSEd-Prodem encompasses 10 dimensions that have an impact on the quantity and quality of emerging enterprises, including social capital, policies and regulations, science, technology and innovation platforms, business structure, educational systems, demand conditions, social conditions and culture, which contribute to understanding the current dynamic entrepreneurship scenario and its future outlook in Latin America.

49. There are other initiatives in specific areas for entrepreneurship development. The World Bank Impact Assessment Framework, for example, provides insights and criteria on the basis of a suitable approach to evaluate the impact of various SME finance policies, interventions and regulations. The Framework enables policymakers and regulators to select adequate approaches in order to evaluate SME finance policies and interventions and encompasses a comprehensive set of impact evaluation techniques, their assumptions, strengths and limitations. While impact evaluation approaches have been used to assess SME finance policies, including regulatory frameworks, financial infrastructure and public interventions, they have broad applicability in SME and financial inclusion interventions.[34]

50. OECD has also developed a scoreboard on SME financing. The scoreboard assesses SME and entrepreneurship finance trends using a core set of indicators that include SME debt, equity finance, solvency and policy measures that provide policymakers with a comprehensive framework to evaluate whether SME financing needs are being met, support the design and evaluation of policy measures, and monitor the implications of financial reforms on the access of SMEs to finance. Thirteen sets of indicators[35] provide a consistent snapshot of a country's market for business and changes over time. While the scoreboard on SME and entrepreneurship allows for comparison of general trends across countries, its major challenge for comparability is lack of harmonization with the definition of SMEs across countries.

51. The UNCTAD Entrepreneurship Policy Framework provides an approach and the methodology to assess the level of entrepreneurship policies development in a country at a point of time, to identify gaps, and to monitor progress over time to address them. It contains a list of 23 subindicators for the six areas of the framework: formulating national entrepreneurship strategy, optimizing the regulatory environment, enhancing

[34] Global Partnership for Financial Inclusion and the World Bank, 2012, *Impact Assessment Framework: SME Finance* (Washington, D.C., World Bank), available at http://siteresources.worldbank.org/EXTFINANCIALSECTOR/Resources/282884-1339624653091/8703882-1339624678024/SMEFinanceImpactAssessmentFramework.pdf, accessed 8 February 2015.

[35] SME loans in business loans, share of SME short-term loans in total loans, SME loan guarantees, SME guaranteed loans, SME direct government loans, SME loans used, SME non-performing loans, spread between large and small enterprises, SME interest rates, venture capital and growth capital, payment delays, interest rates and bankruptcies. (OECD, 2014, Financing SMEs and Entrepreneurs 2014: An OECD Scoreboard (preliminary version), available at http://www.oecd.org/cfe/smes/SMEs-Scoreboard-2014.pdf).

entrepreneurship education and skills development, facilitating technology exchange and innovation, improving access to finance, and promoting awareness and networking.

52. For example, to evaluate existing measures related to formulating a national entrepreneurship strategy and how to improve them, respondents need to answer 13 questions on whether the country has assessed the national entrepreneurial environment, specified its goals and priorities and taken measures to ensure coherence of entrepreneurship strategy with other national policies; it must indicate whether specific measures have been developed to strengthen the institutional framework and coordination and whether there are mechanisms to ensure results measurement and policy learning. There are checklists in all other areas of the Entrepreneurship Policy Framework. The approach employs a guided self-assessment methodology, combined with the active participation of all major national stakeholders. It also employs a user-friendly statistical model to develop scoring in each of the components of the Framework and the country's scoring. The Framework further suggests a list of indicators to assess the effectiveness of the entrepreneurship policies in each of the six areas.[36]

53. These initiatives are noteworthy. However, there is a need to develop an international consensus and guidance on core indicators that takes account of developing countries' contexts and allows policymakers to monitor trends and measure the effectiveness of entrepreneurship policies that are adapted to their national context and are comparable internationally. To achieve this goal, it is important to take the following steps:

(a) Define the scope of entrepreneurship. There is an urgent need to adopt a common definition. The OECD, for example, defines entrepreneurship as a phenomenon associated with entrepreneurial activity as the enterprising human action in pursuit of the generation of value, through the creation or expansion of economic activity, by identifying and exploiting new products, processes or markets. In this regard it argues that large companies could also be entrepreneurial, while those SMEs that do not meet the criteria of doing something "new" are excluded. Recently GEM also included assessment of the entrepreneurial attitudes of employees of large companies into their measurement of entrepreneurship development. In many countries, however, entrepreneurship is associated with the development of domestic start-ups;

(b) Develop a conceptual framework for entrepreneurship indicators. Given the complexity and diversity of possible approaches to entrepreneurship and its measurement and indicators, it is critical to develop a framework that could guide policymakers in adapting them to their national context. For example, some countries may focus on entrepreneurship contribution to economic growth, while others will see job creation or social inclusion as a priority. The existing frameworks mentioned above are a good starting point;

(c) Select a list of core internationally comparable indicators. The core indicators or variables must be relatively uniform across countries in terms of the population of the data set, measurement methodology, method of data collection and periodicity or timeliness. The criteria to select the core indicators should ensure that they are measurable, achievable, useful, relevant, comparable and cost effective. They should cover both financial and non-financial aspects.[37] The development of indicators requires a coordinated approach at the international level, including the establishment of a working group or

[36] http://unctad.org/en/Pages/DIAE/Entrepreneurship/Entrepreneurship-Policy-Framework-and-Implementation-Guidance.aspx, accessed 8 February 2015.

[37] For example, topics such as well-being – whether people are satisfied with their lives and jobs – are taken into account, for example, by GEM. OECD also states that creating value in its definition of entrepreneurship covers monetary and non-monetary returns for society.

consultative committee to ensure inclusiveness of the discussions and consideration of all good practices.

54. The following aspects should be also considered:

(a) Measurement. The essential feature of data collection on entrepreneurship policies should include both quantitative and qualitative assessments. In the latter, case studies and peer reviews allow for experiences to be exchanged among a group of reviewers from different organizations in different places, seeking to address similar challenges. In addition to national data collection, consideration of subnational and local conditions is important, and specific indicators should be developed to take this into account;

(b) Monitoring. At the national level, the coordinating institution that oversees the development of an entrepreneurship strategy and its implementation should take on board the task of monitoring its progress. It should develop action plans with indicators that are measurable, time bound and easy to collect. Coordinating institutions need adequate human and financial resources;

(c) Evaluation. This should incorporate internal and external mechanisms. At inception, a baseline survey should be conducted and the necessary data collected at each stage of implementation to determine whether the policies and programmes achieve desired outcomes. As a learning tool, the internal evaluation should embed feedback mechanisms that would allow necessary adjustments. The external evaluation should support this process, offering technical tools and advice, and ensuring good governance and transparency;

(d) Capacity-building and outreach. A comprehensive capacity-building and communication strategy can help explain the adopted framework and how to adapt it to the national contexts. Training and information should reach beneficiaries, stakeholders and the public at large. Awareness campaigns on entrepreneurship development and the use of social media would strengthen accountability and transparency.

IV. Conclusions and issues for discussion

55. Entrepreneurship can make a critical contribution towards attaining the sustainable development goals of the post-2015 development agenda, including poverty eradication, empowerment of youth and women and other disadvantaged groups, and full and productive employment for all. It can also help tackle environmental challenges. This will require supporting the evolution towards a new generation of entrepreneurs and entrepreneurship policymakers with a vision and joint commitment to promote entrepreneurship for sustainable development. To that end, UNCTAD will continue to assist governments and institutions in building an enabling environment to foster entrepreneurship based on the Entrepreneurship Policy Framework through the Empretec network and other technical assistance programmes.

56. This note has presented recent trends in entrepreneurship development and addressed issues related to the identification of comprehensive and comparable indicators to assists policymakers in their endeavours. To enhance the contribution of UNCTAD to the proposed sustainable development goals and targets, the discussions could focus on the following issues:

(a) How to ensure that entrepreneurship promotion contributes to the achievement of the sustainable development goals?

(b) What are the key challenges and good practices in developing indicators to monitor the implementation and evaluate the success of entrepreneurship policies?

(c) What steps can UNCTAD take to follow up on proposed recommendations contained in the General Assembly resolutions on entrepreneurship for development?

57. UNCTAD, in collaboration with the Department of Economic and Social Affairs, has proposed specific actions that the United Nations could support in implementing the General Assembly resolutions to further foster entrepreneurship:[9]

(a) Convene a global forum on entrepreneurship for development to scale up and transfer entrepreneurs' experiences, and encourage the adoption of common impact indicators and a charter for entrepreneurial change;

(b) Develop global, national and subnational networks of entrepreneurship and enterprise educators;

(c) Expand the work on financial inclusion by increasing the capacity, competency and willingness of financial institutions and proximity lenders to serve MSMEs, cooperatives and social enterprises;

(d) Enhance entrepreneurship opportunities for youth, for example, by setting up a global mentoring scheme or by declaring a "year of the young entrepreneur";

(e) Empower women entrepreneurs through a network of goodwill ambassadors for women's entrepreneurship;

(f) Last but not least, the United Nations could offer guidance on the inclusion in entrepreneurship programmes of disadvantaged social groups such as minorities, migrants and persons with disabilities.

58. The Commission may wish to discuss further how to develop these ideas and propose any follow-up as deemed necessary.

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[9] General Assembly, 2014. Entrepreneurship for development. A/69/320. New York, 18 August.